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Washington, D.C. 20005
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Celia Nogales
Director - Federal Relations

April 10, 1997

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

RECEIVED

APR 10 1997

Federal Communications Commission
Office of Secretary

RE: **Ex Parte Statement**
 CC Docket No. 96-45

Dear Mr. Caton:

On April 9, 1997, Kris Shulman and I met, in separate meetings, with Mr. Jim Coltharp, Legal Advisor to Commissioner Quello, Mr. Dan Gonzalez, Legal Advisor to Commissioner Chong and Gail McGuire to discuss Ameritech's position in the above referenced proceeding and to share information on the economic impact of the universal service fund on certain carriers. The attached material was used as part of our discussion.

Sincerely,

A handwritten signature in cursive script that reads "Celia Nogales" with a small "tra" written below it.

Attachment

cc: J. Coltharp
 D. Gonzalez
 G. McGuire

No. of Copies rec'd
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022

Revenue Benchmark

In paragraph 310 of its Recommended Decision, the Joint Board recommended that the Commission adopt a benchmark based on the nationwide average revenue-per-line. Revenue-per-line was defined as the sum of the following revenue :

Local
Discretionary
Access services
Others as found appropriate

Benchmark Calculation Example Based on 1995 Revenues \$ (000)

<u>Monthly Revenue/Line</u>			
Revenue Type	Annual Total	Total	Cumulative Total
Basic Local Service	\$46,128,038	\$25.90	\$25.90
End User	\$ 7,064,853	\$ 3.97	\$29.87
Switched Access	\$12,166,647	\$ 6.83	\$36.70
State Access	\$ 7,398,273	\$ 4.15	\$40.85

Total Switched Access Lines 148,410,289

Revenue Source: Table 2.9-Statistics of Telephone Carriers Reporting Annually to the Commission as of December 31, 1995

Switched Access Lines Source: Table 2.10-Operating Statistics of Telephone Carriers Reporting Annually to the Commission as of December 31, 1995

Universal Service: Who Pays?

An Example Based on the Benchmark Cost Proxy Model (Ver. 1.0)

Total Support @ \$40 Benchmark

\$8,910,388,950

Company	(A) Annual Total Revenue (1)	(B) % of Total	(C)=(B)*Total Support Assessment	(D) Switched Access Lines	(E)=(C)/(D)/12 Monthly Assessment/Line	(F) Annual Support	(G)=(F)/(D)/12 Monthly Support/Line	(H)=(F)-(C) Net Annual Support	(I)=(G)-(E) Net Monthly Support/Line
Ameritech	\$10,795,666,000	6.6%	\$585,908,402	18,626,613	\$2.62	\$317,103,621	\$1.42	(\$268,804,781)	(\$1.20)
Bell Atlantic	\$12,163,345,000	7.4%	\$660,135,839	19,513,315	\$2.82	\$444,447,812	\$1.90	(\$215,688,027)	(\$0.92)
Bell South	\$13,900,610,000	8.5%	\$754,421,653	20,592,423	\$3.05	\$1,108,921,994	\$4.49	\$354,500,341	\$1.43
Nynex	\$12,099,627,000	7.4%	\$656,677,700	16,967,107	\$3.23	\$353,682,293	\$1.74	(\$302,995,407)	(\$1.49)
Pacific Tel	\$7,825,762,000	4.8%	\$424,724,117	15,785,680	\$2.24	\$245,193,679	\$1.29	(\$179,530,438)	(\$0.95)
Southwestern	\$8,860,983,000	5.4%	\$480,908,208	13,882,984	\$2.89	\$578,732,286	\$3.47	\$97,824,078	\$0.59
US West	\$9,214,298,000	5.6%	\$500,083,516	14,544,666	\$2.87	\$718,222,205	\$4.12	\$218,138,689	\$1.25
GTE (2)	\$12,115,184,000	7.4%	\$657,522,018	16,376,098	\$3.35	\$1,016,789,878	\$5.17	\$359,267,860	\$1.83
United (3)	\$4,211,012,000	2.6%	\$228,542,390	6,134,328	\$3.10	\$403,385,643	\$5.48	\$174,843,253	\$2.38
SNET	\$1,472,269,000	0.9%	\$79,903,804	2,034,450	\$3.27	\$37,531,836	\$1.54	(\$42,371,968)	(\$1.74)
Cincinnati Bell	\$617,131,000	0.4%	\$33,493,278	906,303	\$3.08	\$18,904,469	\$1.74	(\$14,588,809)	(\$1.34)
Rochester (4)	\$314,771,000	0.2%	\$17,083,427	524,630	\$2.71	\$13,119,987	\$2.08	(\$3,963,440)	(\$0.63)
Lincoln Tel	\$184,380,000	0.1%	\$10,006,774	283,072	\$2.95	\$36,277,938	\$10.68	\$26,271,164	\$7.73
Alltel (5)	\$450,740,000	0.3%	\$24,462,812	614,680	\$3.32	\$67,201,748	\$9.11	\$42,738,936	\$5.79
Other LECs	\$4,363,226,000	2.7%	\$236,803,433	11,236,725	\$1.76	\$3,550,873,561	\$26.33	\$3,314,070,128	\$24.58
Total LECs	\$98,589,004,000	60.0%	\$5,350,677,370	159,647,014	\$2.79	\$8,910,388,950	\$4.65	\$3,559,711,580	\$1.86
AT&T	\$25,165,853,558	15.3%	\$1,365,815,229	106,036,736	\$1.07	\$0	\$0.00	(\$1,365,815,229)	(\$1.07)
MCI	\$8,471,041,706	5.2%	\$459,745,096	25,015,466	\$1.53	\$0	\$0.00	(\$459,745,096)	(\$1.53)
Sprint	\$4,770,046,248	2.9%	\$258,882,608	10,236,149	\$2.11	\$0	\$0.00	(\$258,882,608)	(\$2.11)
Other IXC	\$8,856,276,489	5.4%	\$480,652,773	18,358,663	\$2.18	\$0	\$0.00	(\$480,652,773)	(\$2.18)
Total IXC	\$47,263,218,000	28.8%	\$2,565,095,708	159,647,014	\$1.34	\$0	\$0.00	(\$2,565,095,708)	(\$1.34)
Wireless	\$14,165,843,000	8.6%	\$768,816,526	N/A	N/A	\$0	N/A	(\$768,816,526)	N/A
All Other	\$4,160,470,000	2.5%	\$225,799,347	N/A	N/A	\$0	N/A	(\$225,799,347)	N/A
Total	\$164,178,535,000	100.0%	\$8,910,388,950	159,647,014	\$4.65	\$8,910,388,950	\$4.65	\$0	\$0.00

Sources:

Col (A) Individual LECs: TABLE 2.1- Total Operating Revenues of Telephone Carriers Reporting To The Commission For the Year Ended December 31, 1995

Col (A) Total LECs, Total IXCs, Wireless & All Other: Telecommunications Industries Analysis Project (TIAP) paper: 1995 Calculated Interstate and Intrastate Revenues for the Proposed Universal Service Fund and Formats for Comparisons of Different Benchmarks: Response to Request from the NARUC Communications Committee, December 4, 1996; Revised December 13, 1996

Col (A) Individual IXC data was derived by using Gross Revenue from TIAP paper and deducting proportionate share of access charges for each IXC.

Col (D) Source: Table 2.10-Operating Statistics of Telephone Carriers Reporting Annually to the Commission as of December 31, 1995;
"Other LEC data was taken from Table 2.3, Total Presubscribed Lines for All Local Exchange Companies as of December 31, 1995

Col(D) Souce for IXCs: Total LEC Access lines multiplied by % of presubscribed lines from Table 4, Presubscribed Telephone Lines by Carrier

Notes: Revenues are Total Revenue net of payments (i.e., access charges) to others

- (2) Data for GTE includes only those study areas that report. Total support for GTE (Column F) is \$ 1,517,965,065. Difference is included with "Other LECs."
- (3) Data for United includes only those study areas that report. Total support for United (Column F) is \$ 699,422,865. Difference is included with "Other LECs."
- (4) Data for Rochester includes only Rochester Tel. Total support for Frontier (Column F) is \$ 82,351,313. Difference is included with "Other LECs."
- (5) Data for Alltel includes only those study areas that report. Total support for Alltel (Column F) is \$ 326,886,297. Difference is included with "Other LECs."

Universal Service: Who Pays?

An Example Based on the Benchmark Cost Proxy Model (ver. 1.0)

Interstate Support @ \$40 Benchmark

\$2,227,597,238

Company	(A) Annual Interstate Revenue (1)	(B) % of Total	(C)=(B)*Total Support Assessment	(D) Switched Access Lines	(E)=(C)/(D)/12 Monthly Assessment/Line	(F) Annual Support	(G)=(F)/(D)/12 Monthly Support/Line	(H)=(F)-(C) Net Annual Support	(I)=(G)-(E) Net Monthly Support/Line
Ameritech	\$2,410,630,000	3.5%	\$78,191,397	18,626,613	\$0.35	\$79,275,905	\$0.35	\$1,084,508	\$0.00
Bell Atlantic	\$3,057,580,000	4.5%	\$99,175,922	19,513,315	\$0.42	\$111,111,953	\$0.47	\$11,936,031	\$0.05
Bell South	\$3,343,980,000	4.9%	\$108,465,616	20,592,423	\$0.44	\$277,230,499	\$1.12	\$168,764,883	\$0.68
Nynex	\$3,310,175,000	4.8%	\$107,369,114	16,967,107	\$0.53	\$88,420,573	\$0.43	(\$18,948,541)	(\$0.09)
Pacific Tel	\$1,788,050,000	2.6%	\$57,997,340	15,785,680	\$0.31	\$61,298,420	\$0.32	\$3,301,080	\$0.02
Southwestern	\$2,136,197,000	3.1%	\$69,289,865	13,882,984	\$0.42	\$144,683,072	\$0.87	\$75,393,206	\$0.45
US West	\$2,532,871,000	3.7%	\$82,156,416	14,544,666	\$0.47	\$179,555,551	\$1.03	\$97,399,135	\$0.56
GTE (2)	\$2,838,369,000	4.1%	\$92,065,575	16,376,098	\$0.47	\$254,197,470	\$1.29	\$162,131,894	\$0.83
United (3)	\$998,527,000	1.5%	\$32,388,306	6,134,328	\$0.44	\$100,846,411	\$1.37	\$68,458,105	\$0.93
SNET	\$382,490,000	0.6%	\$12,406,478	2,034,450	\$0.51	\$9,382,959	\$0.38	(\$3,023,519)	(\$0.12)
Cincinnati Bell	\$126,313,000	0.2%	\$4,097,099	906,303	\$0.38	\$4,726,117	\$0.43	\$629,018	\$0.06
Rochester (4)	\$61,627,000	0.1%	\$1,998,939	524,630	\$0.32	\$3,279,997	\$0.52	\$1,281,058	\$0.20
Lincoln Tel	\$36,119,000	0.1%	\$1,171,559	283,072	\$0.34	\$9,069,485	\$2.67	\$7,897,926	\$2.33
Alltel (5)	\$91,118,000	0.1%	\$2,955,511	614,680	\$0.40	\$16,800,437	\$2.28	\$13,844,926	\$1.88
Other LECs	\$2,050,657,000	3.0%	\$66,515,283	11,236,725	\$0.49	\$887,718,390	\$6.58	\$821,203,108	\$6.09
Total LECs	\$25,164,703,000	36.6%	\$816,244,419	159,647,014	\$0.43	\$2,227,597,238	\$1.16	\$1,411,352,819	\$0.74
AT&T	\$17,088,218,898	24.9%	\$554,274,903	106,036,736	\$0.44	\$0	\$0.00	(\$554,274,903)	(\$0.44)
MCI	\$5,752,040,742	8.4%	\$186,573,676	25,015,466	\$0.62	\$0	\$0.00	(\$186,573,676)	(\$0.62)
Sprint	\$3,238,975,950	4.7%	\$105,059,696	10,236,149	\$0.86	\$0	\$0.00	(\$105,059,696)	(\$0.86)
Other IXC	\$6,013,623,410	8.8%	\$195,058,394	18,358,663	\$0.89	\$0	\$0.00	(\$195,058,394)	(\$0.89)
Total IXCs	\$32,092,859,000	46.7%	\$1,040,966,668	159,647,014	\$0.54	\$0	\$0.00	(\$1,040,966,668)	(\$0.54)
Wireless	\$9,678,613,000	14.1%	\$313,936,304	N/A	N/A	\$0	N/A	(\$313,936,304)	N/A
All Other	\$1,740,341,000	2.5%	\$56,449,847	N/A	N/A	\$0	N/A	(\$56,449,847)	N/A
Total	\$68,676,516,000	100.0%	\$2,227,597,238	159,647,014	\$1.16	\$2,227,597,238	\$1.16	\$0	\$0.00

Sources:

Col (A) Individual LECs: ARMIS 43-01, Line 1090 for 1995

Col (A) Total LECs, Total IXCs, Wireless & All Other: Telecommunications Industries Analysis Project (TIAP) paper: 1995 Calculated Interstate and Intrastate Revenues for the Proposed Universal Service Fund and Formats for Comparisons of Different Benchmarks: Response to Request from the NARUC Communications Committee, December 4, 1996; Revised December 13, 1996

Col (A) Individual IXC data was derived by using Gross Revenue from TIAP paper and deducting proportionate share of access charges for each IXC.

Col (D) Source: Table 2.10-Operating Statistics of Telephone Carriers Reporting Annually to the Commission as of December 31, 1995;
"Other LEC data was taken from Table 2.3, Total Presubscribed Lines for All Local Exchange Companies as of December 31, 1995

Col(D) Source for IXCs: Total LEC Access lines multiplied by % of presubscribed lines from Table 4, Presubscribed Telephone Lines by Carrier

Notes: Revenues are Interstate Revenue net of payments (i.e., access charges) to others

- (2) Data for GTE includes only those study areas that report. Total support for GTE (Column F) is \$ 379,491,266. Difference is included with "Other LECs."
- (3) Data for United includes only those study areas that report. Total support for United (Column F) is \$ 174,855,716. Difference is included with "Other LECs."
- (4) Data for Rochester includes only Rochester Tel. Total support for Frontier (Column F) is \$ 20,587,828. Difference is included with "Other LECs."
- (5) Data for Alltel includes only those study areas that report. Total support for Alltel (Column F) is \$ 81,721,574. Difference is included with "Other LECs."

Universal Service: Who Pays?

An Example Based on Today's Support Level

Support Level (High-Cost, DEM Wtg., LTS)* \$1,335,234,636

Company	(A) Annual Interstate Revenue (1)	(B) % of Total	(C)=(B)*Total Support Assessment	(D) Switched Access Lines	(E)=(C)/(D)/12 Monthly Assessment/Line	(F) Annual Support	(G)=(F)/(D)/12 Monthly Support/Line	(H)=(F)-(C) Net Annual Support	(I)=(G)-(E) Net Monthly Support/Line
Ameritech	\$2,410,630,000	3.5%	\$46,868,374	18,626,613	\$0.21	\$0	\$0.00	(\$46,868,374)	(\$0.21)
Bell Atlantic	\$3,057,580,000	4.5%	\$59,446,620	19,513,315	\$0.25	\$4,538,800	\$0.02	(\$54,907,820)	(\$0.23)
Bell South	\$3,343,980,000	4.9%	\$65,014,916	20,592,423	\$0.26	\$40,482,464	\$0.16	(\$24,532,452)	(\$0.10)
Nynex	\$3,310,175,000	4.8%	\$64,357,666	16,967,107	\$0.32	\$9,536,857	\$0.05	(\$54,820,809)	(\$0.27)
Pacific Tel	\$1,788,050,000	2.6%	\$34,763,940	15,785,680	\$0.18	\$0	\$0.00	(\$34,763,940)	(\$0.18)
Southwestern	\$2,136,197,000	3.1%	\$41,532,745	13,882,984	\$0.25	\$1,089,491	\$0.01	(\$40,443,254)	(\$0.24)
US West	\$2,532,871,000	3.7%	\$49,245,030	14,544,666	\$0.28	\$4,513,361	\$0.03	(\$44,731,669)	(\$0.26)
GTE	\$2,838,369,000	4.1%	\$55,184,637	16,376,098	\$0.28	\$49,708,137	\$0.25	(\$5,476,500)	(\$0.03)
United	\$998,527,000	1.5%	\$19,413,737	6,134,328	\$0.26	\$27,591,414	\$0.37	\$8,177,677	\$0.11
SNET	\$382,490,000	0.6%	\$7,436,514	2,034,450	\$0.30	\$0	\$0.00	(\$7,436,514)	(\$0.30)
Cincinnati Bell	\$126,313,000	0.2%	\$2,455,825	906,303	\$0.23	\$0	\$0.00	(\$2,455,825)	(\$0.23)
Rochester	\$61,627,000	0.1%	\$1,198,175	524,630	\$0.19	\$0	\$0.00	(\$1,198,175)	(\$0.19)
Lincoln Tel	\$36,119,000	0.1%	\$702,239	283,072	\$0.21	\$0	\$0.00	(\$702,239)	(\$0.21)
Alltel	\$91,118,000	0.1%	\$1,771,550	614,680	\$0.24	\$5,016,557	\$0.68	\$3,245,007	\$0.44
Other LECs	\$2,050,657,000	3.0%	\$39,869,644	11,236,725	\$0.30	\$1,192,757,555	\$8.85	\$1,152,887,911	\$8.55
Total LECs	\$25,164,703,000	36.6%	\$489,261,614	159,647,014	\$0.26	\$1,335,234,636	\$0.70	\$845,973,022	\$0.44
AT&T	\$17,088,218,898	24.9%	\$332,235,574	106,036,736	\$0.26	\$0	\$0.00	(\$332,235,574)	(\$0.26)
MCI	\$5,752,040,742	8.4%	\$111,833,338	25,015,466	\$0.37	\$0	\$0.00	(\$111,833,338)	(\$0.37)
Sprint	\$3,238,975,950	4.7%	\$62,973,388	10,236,149	\$0.51	\$0	\$0.00	(\$62,973,388)	(\$0.51)
Other IXC	\$6,013,623,410	8.8%	\$116,919,127	18,358,663	\$0.53	\$0	\$0.00	(\$116,919,127)	(\$0.53)
Total IXC	\$32,092,859,000	46.7%	\$623,961,427	159,647,014	\$0.33	\$0	\$0.00	(\$623,961,427)	(\$0.33)
Wireless	\$9,678,613,000	14.1%	\$188,175,232	N/A	N/A	\$0	N/A	(\$188,175,232)	N/A
All Other	\$1,740,341,000	2.5%	\$33,836,364	N/A	N/A	\$0	N/A	(\$33,836,364)	N/A
Total	\$68,676,516,000	100.0%	\$1,335,234,636	159,647,014	\$0.70	\$1,335,234,636	\$0.70	\$0	\$0.00

Sources:

Col (A) Individual LECs: ARMIS 43-01, Line 1090 for 1995

Col (A) Total LECs, Total IXC, Wireless & All Other: Telecommunications Industries Analysis Project (TIAP) paper: 1995 Calculated Interstate and Intrastate Revenues for the Proposed Universal Service Fund and Formats for Comparisons of Different Benchmarks: Response to Request from the NARUC Communications Committee, December 4, 1996; Revised December 13, 1996

Col (A) Individual IXC data was derived by using Gross Revenue from TIAP paper and deducting proportionate share of access charges for each IXC.

Col (D) Source: Table 2.10-Operating Statistics of Telephone Carriers Reporting Annually to the Commission as of December 31, 1995;
"Other LEC data was taken from Table 2.3, Total Presubscribed Lines for All Local Exchange Companies as of December 31, 1995

Col(D) Source for IXC: Total LEC Access lines multiplied by % of presubscribed lines from Table 4, Presubscribed Telephone Lines by Carrier

Notes: Revenues are Interstate Revenue net of payments (i.e., access charges) to others

- (2) Data for GTE includes only those study areas that report. Total support for GTE (Column F) is \$ 168,099,566. Difference is included with "Other LECs."
- (3) Data for United includes only those study areas that report. Total support for United (Column F) is \$ 48,745,971. Difference is included with "Other LECs."
- (4) Data for Rochester includes only Rochester Tel. Total support for Frontier (Column F) is \$ 7,892,682. Difference is included with "Other LECs."
- (5) Data for Alltel includes only those study areas that report. Total support for Alltel (Column F) is \$ 73,930,913. Difference is included with "Other LECs."

* - Total Support Level = High Cost Fund paid in 1996 (\$734,573,108) + 1993 DEM Wtg. (\$195,039,821) + 1995-1996 Long Term Support (LTS) (\$405,621,707)

High Cost Fund Source: Joint Board Monitoring Report, Table 3.14; DEM Wtg. Source: NECA Comments in 80-286, October 10, 1995; LTS Source: Monitoring Report, Table 7.3

Universal Service: Who Pays?

Funding Obligations for Schools & Libraries

Total Support for Schools & Libraries

\$2,250,000,000

Company	(A) Annual Total Revenue	(B) % of Total	(C)=(B)*Total Support Assessment	(D) Switched Access Lines	(E)=(C)/(D)/12 Monthly Assessment/Line
Ameritech	\$10,795,666,000	6.6%	\$147,950,209	18,626,613	\$0.66
Bell Atlantic	\$12,163,345,000	7.4%	\$166,693,693	19,513,315	\$0.71
Bell South	\$13,900,610,000	8.5%	\$190,502,202	20,592,423	\$0.77
Nynex	\$12,099,627,000	7.4%	\$165,820,463	16,967,107	\$0.81
Pacific Tel	\$7,825,762,000	4.8%	\$107,248,883	15,785,680	\$0.57
Southwestern	\$8,860,983,000	5.4%	\$121,436,166	13,882,984	\$0.73
US West	\$9,214,298,000	5.6%	\$126,278,204	14,544,666	\$0.72
GTE	\$12,115,184,000	7.4%	\$166,033,666	16,376,098	\$0.84
United	\$4,211,012,000	2.6%	\$57,710,206	6,134,328	\$0.78
SNET	\$1,472,269,000	0.9%	\$20,176,847	2,034,450	\$0.83
Cincinnati Bell	\$617,131,000	0.4%	\$8,457,529	906,303	\$0.78
Rochester	\$314,771,000	0.2%	\$4,313,808	524,630	\$0.69
Lincoln Tel	\$184,380,000	0.1%	\$2,526,853	283,072	\$0.74
Alltel	\$450,740,000	0.3%	\$6,177,208	614,680	\$0.84
Other LECs	\$4,363,226,000	2.7%	\$59,796,236	11,236,725	\$0.44
Total LECs	\$98,589,004,000	60.0%	\$1,351,122,173	159,647,014	\$0.71
AT&T	\$25,165,853,558	15.3%	\$344,887,780	106,036,736	\$0.27
MCI	\$8,471,041,706	5.2%	\$116,092,179	25,015,466	\$0.39
Sprint	\$4,770,046,248	2.9%	\$65,371,542	10,236,149	\$0.53
Other IXC	\$8,856,276,489	5.4%	\$121,371,665	18,358,663	\$0.55
Total IXCs	\$47,263,218,000	28.8%	\$647,723,166	159,647,014	\$0.34
Wireless	\$14,165,843,000	8.6%	\$194,137,113	N/A	N/A
All Other	\$4,160,470,000	2.5%	\$57,017,548	N/A	N/A
Total	\$164,178,535,000	100.0%	\$2,250,000,000	159,647,014	\$1.17

Sources:

Col (A) Individual LECs: TABLE 2.1- Total Operating Revenues of Telephone Carriers Reporting To The Commission For The Year Ended December 31, 1995

Col (A) Total LECs, Total IXCs, Wireless & All Other: Telecommunications Industries Analysis Project (TIAP) paper: 1995 Calculated Interstate and Intrastate Revenues for the Proposed Universal Service Fund and Formats for Comparisons of Different Benchmarks: Response to Request from the NARUC Communications Committee, December 4, 1996; Revised December 13, 1996

Col (A) Individual IXC data was derived by using Gross Revenue from TIAP paper and deducting proportionate share of access charges for each IXC.

Col (D) Source: Table 2.10-Operating Statistics of Telephone Carriers Reporting Annually to the Commission as of December 31, 1995; "Other LEC data was taken from Table 2.3, Total Presubscribed Lines for All Local Exchange Companies as of December 31, 1995

Col(D) Souce for IXCs: Total LEC Access lines multiplied by % of presubscribed lines from Table 4, Presubscribed Telephone Lines by Carrier

Notes: Revenues are Total Revenue net of payments (i.e., access charges) to others